

HARTIG, RHODES, NORMAN, MAHONEY & EDWARDS

A PROFESSIONAL CORPORATION

ATTORNEYS AT LAW

717 K STREET
ANCHORAGE, ALASKA 99501-3307
TELEPHONE (907) 276-1592
FACSIMILE (907) 277-4352

www.hartig.com

March 1, 2000

RECIPROCAL RELATIONSHIP

GRULNING & SPITZFADEN
217 SECOND STREET, SUITE 204
JUNEAU, ALASKA 99801
TELEPHONE (907) 580-8110

ROBERT L. HARTIG (1926-1980)
JAMES D. RHODES (RETIRED)
G. KENT EDWARDS (RETIRED)

PETER B. BRAUNIGAM
ROBERT B. FLINT
SEAN HALLORAN
LAWRENCE L. HARTIG
CHRISTINE FOOTE HYATT
ROBERT J. MAHONEY
ANDREW C. MITTON
JOHN K. NORMAN
DOUGLAS C. PERKINS
PAUL K. WHARTON
MICHAEL D. WHITE

VIA FACSIMILE: (206) 553-0163

Julie Matthews
Assistant Regional Counsel
EPA Region 10
1200 Sixth Avenue
Seattle, Washington 98101

RE: Generator No. 7 (MG 17)
Construction Schedule
Docket No. CAA-10-2000-0035
(In the Matter of Cominco Alaska Incorporated)
Our File No. 6288-125

Dear Ms. Matthews:

This firm represents Cominco Alaska Incorporated ("Cominco") as co-counsel with Holland & Hart in the above matter. Mr. Connery of Holland & Hart previously wrote to you on behalf of Cominco requesting EPA voluntarily stay the effect of its orders to the State and Cominco. This letter follows up on that request and provides the additional information you identified in our telephone conference last Monday as helpful to EPA in deciding its response to Cominco's request. We believe that the information in this letter demonstrates that:

- Prohibiting the construction of MG 17 (e.g. prohibiting the pouring of the concrete foundations) after June, 2000 will very likely delay completion of the construction of MG-17 a whole season;
- Any delays in the startup of MG-17 will cause significant harm to Cominco and others; and
- Cominco has taken reasonable steps to assure SCR can be added to MG 17 later, should this become necessary.

COM 65-001

Julie Matthews, Assistant Regional Counsel
 March 1, 2000
 Page 2

In making its decision on Cominco's request for the stay, EPA should weigh the harm the orders are having against the fact that there will be no harm to the environment if Cominco proceeds with the construction of MG-17. Neither would the operation of MG-17 with low NOx equipment have any detrimental impacts. It was shown during the development of the PSD permit issued by the State that Cominco would not come close to exceeding National Ambient Air Quality Standards and would be able to comply with the PSD increment.

Generator #7 (MG17) is currently being fabricated in Finland. When it is finished, it will be shipped to Anchorage where it will be installed in a module and then delivered to the site as a more or less finished unit. After delivery to the site, the module will be placed on a pre-prepared foundation and all the tie-ins to the existing facilities completed. The schedule for these and related activities are as follows;

Activity	Date	Location
Place Generator Purchase Order	December 1999	Vancouver
Fabricate Generator & associated parts	Jan. - May 25, 2000.	Finland
Ship Generator - Finland to Anchorage	May 25 - July 14, 2000	Transportation
Excavate foundations	Mid-May - June 10, 2000	Site
Pour Concrete Foundations	Mid-June - July 26, 2000	Site
Install Heat Shield	Aug. 11 - 15, 2000	Site
Erect Module Steel	May 15 - June 3, 2000	Anchorage
Install Mechanical Equipment	June 9 - July 28, 2000	Anchorage
Install Generator	July 15 - Sept. 2, 2000	Anchorage
Install Electrical Equipment	Aug 8 - Aug 27, 2000	Anchorage
Complete Module	Aug 27 - Sept 5, 2000	Anchorage
Ship Module to Red Dog	Sept. 6 - Sept. 16, 2000	Transportation
Install Module on Foundations	Sept. 16 - Oct. 5, 2000	Site
Install Connecting Utilidor	Oct. 6 - Oct. 15, 2000	Site
Tie into existing piping	Oct. 15 - Nov. 15, 2000	Site
Tie into Electrical and Instrumentation	Oct. 15 - Nov. 30, 2000	Site
Commission Powerhouse	Dec. 1, 2000 - Jan. 1, 2001	Site

As I explained on the phone Monday, construction at Red Dog is severely constrained by the short construction season and the limited amount of camp space and equipment available for the construction crews. Although the above schedule shows a lag

Julie Matthews, Assistant Regional Counsel
March 1, 2000
Page 3

between completion of the equipment foundations at the end of July and the module arriving on-site in mid-September, the civil work must be co-ordinated with the substantial amount of other construction work going on this summer at Red Dog, and it is not practical to do the foundation work after July.

The above schedule has been arranged to make the powerhouse foundations the last major part of the civil contract work. The civil contractor will start on-site in May. The work to be done by the civil contractor includes, besides the foundation for the powerhouse, completing the foundations for the new thickener and flotation additions. All of the concrete work will have to be finished by July 26, 2000. It is not practical to demobilize and then remobilize the civil contractor to pour the powerhouse foundations in September. Furthermore, all civil work must be completed early to make camp space available for the mechanical and electrical trades which will be carrying out work in the thickener and flotation areas starting in July.

Cominco has redesigned the powerhouse module to allow the addition of an annex that would house the SCR equipment, if it becomes necessary to add this equipment to MG 17. Design work on the SCR building cannot proceed without knowing exactly what SCR equipment may be required. It should also be recognized that NOx removal technology is still very much in a development phase and it would be risky to guess today what equipment might be required at some unidentified future date when, assuming this litigation is resolved in EPA's favour, EPA makes the BACT determination. Cominco's engineers have made an estimate of the size and cost of the SCR building based on preliminary information from the generator manufacturer. They believe the building would be about 30 x 67 feet in size and cost around \$1.4 million including approximately \$150,000 of design work.

Assuming that the above estimate of the size of the SCR building is accurate, the site clearing Cominco will do this summer for the powerhouse module will be more than adequate to accommodate the SCR building if it is added later. Cominco does not intend to proceed with any concrete foundation work for the SCR building. Cominco believes that the amount of concrete work that would be needed to construct the foundation would not be that great and could easily be done if and when the SCR building is constructed.

During our telephone conference on Monday, you asked whether there are other constraints besides weather which would affect adding SCR to MG 17. Based on what Cominco knows about construction at Red Dog and what they have been able to learn from Wartsila and others about SCR, Cominco believes that, if a decision was made today to add SCR to MG 17, it would still be very costly and otherwise impractical to install it before the 2001 construction season. The SCR equipment would likely come from Wartsila, the European manufacturer of the generator. The SCR equipment is not an "off

COM 65-003

Julie Matthews, Assistant Regional Counsel

March 1, 2000

Page 4

the shelf" type of item and would need to be specifically designed for MG 17. Although a delivery schedule could only be developed after placing an order, it is believed that it would take Wartsila a minimum of 1 month to design and 4 months to fabricate the SCR equipment. As stated earlier, until the equipment is designed, Cominco can not go forward with the design of the SCR building. Only after the equipment is selected can detailed structural engineering proceed and only after this engineering is done can the steel for the building be purchased. All building materials including building steel, cladding and cement along with all mechanical, electrical and instrumentation equipment, would need to be sent to the site for installation. Even if the SCR equipment and building could be acquired starting immediately, it appears very unlikely that a large proportion of this could make it on to one of the barges to the site this summer.

Assuming that the SCR equipment and building could be fit into a Hercules airplane, it could be flown to the site, but at substantially greater cost than shipping it by barge. It must also be noted that a substantial amount of urea would also have to be delivered to the site. Cominco anticipates that the SCR equipment on MG 17 would require approximately 130 pounds of urea each hour. Cominco estimates that the cost of air freighting the amount of urea needed to operate the SCR equipment on MG 17 from January 1, 2001 until the first barge arrives in 2001 (approximately July 7, 2001) would be approximately half a million dollars more than if the urea was barged to the site. The additional cost of flying in the SCR equipment and building, Cominco estimates, would also be on the order of half a million dollars more than if that material was barged to the site.

As we also discussed on Monday, Cominco has an urgent need for the power that will be supplied by MG 17. Cominco currently has six generators in operation. They are permitted to operate full time. However, because of the need to perform routine maintenance, one of these generators is always down. Experience has shown that the average load on the generators cannot exceed about 88% of the rated capacity for the generators or they will exceed their peak load limitations. Currently, Cominco is operating five of the six generators at 85% of their full load. A review of its records for October, 1999 to January, 2000 shows that unanticipated problems with the generators, or occasional higher power demands, have resulted in shutdowns of the mill due to shortages of power. The losses from these shutdowns has run about \$100,000 per month. These losses would not have been incurred if MG 17 had been installed and otherwise available to pick up the slack when more than one of the generators were down for maintenance or repair.

As Cominco goes forward with its scheduled Production Rate Increase ("PRI"), it will be adding pieces of equipment which will incrementally increase the amount of power needed to run the mill and flotation circuits. It is anticipated by September, 2000 the five generators will be running at 88% of their full load, and by January, 2001, at 89% of their

COM 65-004

Julie Matthews, Assistant Regional Counsel
March 1, 2000
Page 5

full load. Thus, the operation with only five generators is extremely marginal from September, 2000 onwards. All of the PRI improvements (and the addition of a new clarifier to enhance water management/treatment) are scheduled to be installed by July, 2001. At that point, Cominco's power needs will be such that if they do not have six generators they can run full time (6 in full time operation with 1 down for maintenance), they will have to shut down part of the ore grinding circuit. This will substantially reduce the amount of feed going to the flotation circuit, and thus the amount of zinc and lead concentrates produced. Cominco estimates that at that point it will lose approximately \$90,000 a day (net of taxes) in revenue it would have made if MG 17 had been permitted and running. Based on the construction schedule discussed earlier in this document, you can see that MG 17 will not be installed and running by July 31, 2001 unless the construction proceeds this summer as currently planned.

The damage from EPA's orders will not be limited to the severe economic losses to Cominco I've described above. NANA Regional Corporation receives royalties which are dependent on the amount of concentrate sold by Cominco. With a cut in concentrate production, the payments to NANA will also decrease. Similarly, Cominco pays a toll fee to the Alaska Industrial Development & Export Authority for Cominco's use of the haul road between the mine and the port. In turn, AIDEA pays dividends to the State of Alaska. The toll fees to AIDEA, and presumably the dividend from AIDEA to the State, will also decrease as a result of the loss of concentrate production. Finally, Cominco estimates that about 100 additional people will be needed to satisfy the staffing needs of the post-PRI operating requirements. Roughly 20 positions remain to be filled. Because of uncertainty over whether Cominco will be able to operate MG 17 by January 1, 2001, it may have to eliminate the 20 remaining positions and will also have to seriously consider its existing employment. At an average loaded wage of \$64,000 per year for each of these 20 positions, approximately \$100,000 a month will be lost in wages. Should all 100 positions be eliminated, there would be approximately \$500,000 in lost wages each month to these perspective employees, most of whom are likely to be Native Alaskans from Northwest Alaska, where there are few other job opportunities comparable to employment at Red Dog.

We look forward to hearing from EPA soon. Although Cominco is very anxious to get an answer from EPA on Cominco's request for the voluntary stay, we appreciate that EPA will need some additional time to evaluate the information in this letter. Cominco agrees it will not file its motion for stay before Tuesday, March 7, 2000 unless we have

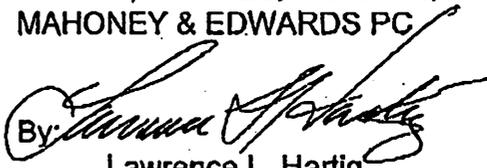
COM 65-005

Julie Matthews, Assistant Regional Counsel
March 1, 2000
Page 6

heard before then that EPA will not agree to a stay of EPA's orders to Cominco and the State so that Cominco can safely proceed with its current schedule for the construction and startup of MG 17.

Sincerely,

HARTIG, RHODES, NORMAN,
MAHONEY & EDWARDS PC

By: 
Lawrence L. Hartig

cc: J. Key, Gen. Mgr, Cominco Alaska Incorporated
C. MacCay, Cominco Alaska Incorporated
D. Horswill, Cominco Ltd.
B. DiLuzio, Cominco American Incorporated
J. Connery, Holland & Hart
C. Leonard, State of Alaska, Attorney General's Office

COM 65-006

P. 07

FAX NO. 9072774352

MAR-01-00 WED 10:26 AM HARTIG RHODES